

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF HOPE
BARTHOLOMEW COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
01/10/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shirley Robertson	01-01-08 to 12-31-11
President of the Town Council	Harry Meek, Jr. (Deceased) Shawn Lange	01-01-08 to 12-31-08 01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HOPE, BARTHOLOMEW COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Hope (Town), for the period of January 1, 2008 to December 31, 2009. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 27, 2010

TOWN OF HOPE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 110,905	\$ 433,512	\$ 414,645	\$ 129,772
Motor Vehicle Highway	174,738	61,574	36,957	199,355
Local Road and Street	92,643	23,143	7,776	108,010
Park and Recreation	125	-	-	125
Law Enforcement Continuing Education	7,614	7,967	2,723	12,858
Riverboat	24,305	13,424	11,155	26,574
Cumulative Capital Improvement	54,457	6,959	30,000	31,416
Cumulative Capital Development	96,561	13,818	67,626	42,753
Housing Loan Fund	9,676	99,136	99,576	9,236
Proprietary Funds:				
Water Utility - Operating	505,083	362,954	320,834	547,203
Water Utility - Bond and Interest	3,067	31,518	34,585	-
Water Utility - Debt Service Reserve	35,654	1,214	-	36,868
Water Utility - Customer Deposit	36,687	5,900	5,040	37,547
Wastewater Utility - Operating	17,072	259,931	202,949	74,054
Wastewater Utility - Debt Reserve	59,857	2,039	-	61,896
Wastewater Utility - Bond and Interest	-	41,213	41,210	3
Wastewater Utility - Customer Deposit	30,050	6,000	4,900	31,150
Wastewater Utility - Improvement	31,080	-	30,000	1,080
Stormwater Operating	81,210	106,490	125,798	61,902
Stormwater Grant	-	227,443	46,570	180,873
Fiduciary Fund:				
Payroll	832	335,868	334,239	2,461
Totals	\$ 1,371,616	\$ 2,040,103	\$ 1,816,583	\$ 1,595,136

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 129,772	\$ 385,226	\$ 367,417	\$ 147,581
Motor Vehicle Highway	199,355	60,666	58,643	201,378
Local Road and Street	108,010	23,634	22,700	108,944
Park and Recreation	125	-	-	125
Law Enforcement Continuing Education	12,858	4,943	1,880	15,921
Riverboat	26,574	13,392	3,439	36,527
Cumulative Capital Improvement	31,416	6,562	1,200	36,778
Cumulative Capital Development	42,753	9,833	1,513	51,073
Housing Loan Fund	9,236	1,333	-	10,569
Rainy Day	-	2,580	-	2,580
Proprietary Funds:				
Water Utility - Operating	547,203	313,457	367,863	492,797
Water Utility - Bond and Interest	-	33,955	33,955	-
Water Utility - Debt Service Reserve	36,868	737	-	37,605
Water Utility - Customer Deposit	37,547	6,325	6,323	37,549
Wastewater Utility - Operating	74,054	360,735	268,074	166,715
Wastewater Utility - Debt Reserve	61,896	1,237	-	63,133
Wastewater Utility - Bond and Interest	3	44,317	44,320	-
Wastewater Utility - Customer Deposit	31,150	6,450	6,200	31,400
Wastewater Utility - Improvement	1,080	-	-	1,080
Stormwater Operating	61,902	80,991	32,388	110,505
Stormwater Grant	180,873	432,336	613,209	-
Fiduciary Fund:				
Payroll	2,461	346,470	350,841	(1,910)
Totals	\$ 1,595,136	\$ 2,135,179	\$ 2,179,965	\$ 1,550,350

The accompanying notes are an integral part of the financial information.

TOWN OF HOPE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Subsequent Events

The Office of Community and Rural Affairs awarded the Town the following grants in 2010:

June 29, 2010 – Community Development Block Grant award of \$828,645 for storm water improvements; September 24, 2010 – Community Development Block Grant disaster recovery program award of \$706,900 for a water infrastructure project.

TOWN OF HOPE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Notes and Loans:		
State Revolving Fund Loan	\$ 423,000	\$ 34,324
Wastewater Utility:		
Revenue bonds:		
2001 Series B Sewage Works Refunding Bonds	40,000	42,160
Total business-type activities debt	<u>\$ 463,000</u>	<u>\$ 76,484</u>

TOWN OF HOPE
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual reports for 2008 and 2009 were not presented for audit. During the examination, the 2009 annual report was prepared on a prior year's annual report form and given to us. The 2008 annual report was also provided during the examination; however, the financial schedule had already been abstracted from the ledger.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

INTERNAL CONTROLS - PAYROLL

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The payroll fund includes all of the various payroll withholdings as well as the employer share of certain withholdings. The individual withholdings are not reconciled to ensure that the proper amounts have been posted and the correct balances are on hand. A subsidiary ledger that accounts for each type of withholding's receipts, disbursements and balances should be maintained. Another option would be to set up separate funds for each type of withholding. There were several instances noted where the payroll system printouts and the payroll fund transactions did not agree. Corrections will need to be made once the differences have been identified.

The salary ordinance includes a minimum and a maximum salary or hourly rate for most positions. In instances where the department head decides the pay rate for an employee, adequate documentation should be prepared and retained. Current practice is to note the increased salary on the appropriate time card or other record and the department head initials or signs that card, to indicate the approval. However, the time cards are maintained with that pay period, so there is no central file (such as the personnel file) in which to locate an individual employee's pay rate increase authorization.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL DEDUCTIONS

Payments made in 2008 and 2009 to an animal control officer, a building and zoning administrator and a building and zoning staff member were not transacted through the payroll system. As a result, taxes were not withheld from these payments. Each of the individuals was issued a 1099. There was a similar comment in the prior report.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HOPE
EXAMINATION RESULTS AND COMMENTS
(Continued)

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the police department were remitted to the Clerk-Treasurer less frequently than once a week.

In each instance tested, amounts received by the Police Department, which included building and zoning permits, were deposited by the Chief Dispatcher in an untimely manner. The Dispatcher would then remit the deposit slip to the clerk-treasurer. In one instance, the receipts were accumulated for approximately 43 business days (64 calendar days). In this instance, the total receipts were \$2,365.31, which consisted of \$1,541.00 cash and \$824.31 checks.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

POLICE DEPARTMENT - FINES

Speed limit fines have been deposited into the Local Law Enforcement Continuing Education Fund, rather than the General Fund.

Official Opinion No. 88-4, issued by the Office of the Attorney General, stated that where a decrease or increase of a maximum speed limit is made by a city or town ordinance, a violation of the speed limit is completely local in nature and the fine may be deposited in the general fund of the city or town. (Cities and Towns Bulletins and Uniform Compliance Guidelines, September 2002, page 3)

USE OF MOTOR VEHICLE HIGHWAY FUNDS

A transfer of \$9,029.70 from the Motor Vehicle Highway Fund to the General Fund was made in 2008. The Town Marshall intended those funds to be used in the future for law enforcement purposes; however, the funds should have been spent from the Motor Vehicle Highway Fund for law enforcement purposes, in 2008.

IC 8-14-1-5 allows cities and towns to use a portion of motor vehicle highway funds for law enforcement purposes, subject to the following limitations:

- (1) For cities and towns with a population of 5,000 or more, no more than 10% of the amounts distributed may be spent for law enforcement purposes.
- (2) For cities and towns with a population of less than 5,000, no more than 15% of the amounts distributed may be spent for law enforcement purposes.

(Cities and Towns Bulletins and Uniform Compliance Guidelines, December 2007, page 10)

TOWN OF HOPE
EXAMINATION RESULTS AND COMMENTS
(Continued)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Lists of employees were not certified to the County Treasurer for the years 2008 and 2009.

IC 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CAPITAL ASSET RECORDS

The Town and the Utilities record some, but not all, capital asset additions. An example of one addition not recorded was the Wastewater and Storm Water project in the amount of \$650,024.93, which was funded in part with federal grant funds.

The capital asset records should be reviewed by the Town and Utilities' department heads, to ensure that all asset acquisitions and all disposals or trade-ins have been recorded.

Original cost information for capital assets disposed or traded in was deleted on the asset ledger; however, this information should be retained in the ledger.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCE

The Payroll Fund was overdrawn in 2009.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HOPE
EXIT CONFERENCE

The contents of this report were discussed on December 2, 2010, with Shirley Robertson, Clerk-Treasurer, and Paula Pollitt, Council member. The officials concurred with our findings.

The Examination Results and Comments related to the Police Department (Police Department Receipts and Fees; Police Department – Fines) were discussed on December 2, 2010, with Brenda D. Tallent, Chief Dispatcher.